

BUSH TELEGRAPH 2016

With the Christmas break on the way we wish all our clients a healthy and happy Christmas break and prosperous New Year. Below is some light reading for your Christmas vacation:

- Interest rates moving
- update on non-taxable allowances and work related vehicle implications
- it's Christmas, our gift to clients

INTEREST RATES

With steadily dropping/static interest rates over the last few years most contractors have been happy to stick with floating rates, which made sense. However, there is increasing evidence that we may have passed the bottom of the interest rate cycle and rates are starting to firm. This is driven by both domestic and international factors i.e.

Domestic –our banks have historically sourced a significant portion of their funds from offshore at extremely low rates. International regulatory reforms consequent to the 2008 GFC crisis require banks to source more of their funding from onshore sources. These will need to be replaced by onshore borrowings from New Zealand depositors. To attract those deposit interest rates and ultimately lending rates will likely increase.

International – the US Federal Reserve has been flagging increasing rates and has recently done so and indicated further increases are likely over the next 12 months. This is compounded by the election of Donald Trump and large infrastructure spending plans which is generally seen as inflationary, further increasing the likelihood of increasing rates.

We have already seen firming interest rates in both the mortgage and commercial lending market. Within the last month, we have seen a near doubling in the margin "spread" of interest rates i.e. the difference between floating rates and five-year rates. This is a definite indicator of firming rates. These trends have been reinforced to us by comments from various banks and financial institutions with which we deal.

In summary, we suggest contractors may wish to review their current funding costs and request financiers to provide indications of current fixed rates so that you may consider your options.

The position of whether to fix or float, or combination thereof, is dependent on both individual circumstances and preferences, "how lucky do you feel"! Once you have your fixed rate options we can then discuss those options with you.

CONTACT BGL

Taupo Office

Freephone 0508 376 0092

info@blackburnegroup.co.nz

Whangarei Office

Telephone 09 974 8800

northland@blackburnegroup.co.nz

NON-TAXABLE ALLOWANCES and WORK-RELATED VEHICLES

We have previously reported on IRD changes to treatment of NTAs. Use the attached links to refresh your memory if need be:

[NTA Newsletter](#)

[NTA Article by Sonya Elmiger](#)

In summary, while nothing has changed in law or interpretation, IRD have reminded employers that these are the rules and they will be more stringently policing them than in the past.

As part of that policing we are aware IRD have been making site visits, often in conjunction with MBIE safety inspectors. This raises another potential exposure for employers in regard to work-related vehicles (WRV), in simple terms Utes. It is reasonable to assume that while on-site IRD may well investigate other taxation issues e.g. work-related vehicles

There is a widespread, but incorrect, assumption that WRVs are not subject to FBT. However a vehicle will only qualify as a WRV if it meets the following criteria:

- The design is not just for the carriage of passengers.
- Company name or logo is permanently and prominently displayed on the exterior.
- Employees must be notified in writing that private use may only arise for travel between home and work and incidental to business travel.
- The company must record checks (at least quarterly) to ensure compliance.

Failure to meet any of these criteria means the vehicle will not qualify as a WRV and will instead qualify for FBT (with potential backdated penalties). Call us to discuss if necessary.

OUR CHRISTMAS GIFT TO OUR CLIENTS

With the changes in NTA policies we have been assisting many clients with review of their positions. As part of that process we have developed an Excel spreadsheet that enables easy analysis of various NTA options for your employees and calculates the financial implications.

We will be selling this to the industry for \$150 plus GST but will provide free of charge to any of our clients who wish to contact us. Please call your manager or Deb McCarthy (extension 812) if you want this to be provided to you.



Disclaimer

This publication has been carefully prepared, but it has been written in general terms only. The publication should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your situation.